CyberM International (Holdings) Limited
美域數碼國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

Annual Report 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors (the "Directors") of CyberM International (Holdings) Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Lau Chiu Pui (Chairman & Managing director)
Mr. Yip Ho Pong
Mr. Lai Shu Pui, Fergus
Mr. Wong Kit Mei

NON-EXECUTIVE DIRECTOR
Mr. Chiu Raymond Yim

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chan Wai Choi, Glenn
Ms. Kwan Ngan Hing, Edith

COMPANY SECRETARY
Mr. Fung Yiu Fai, AHKSA, ACCA, BBA

AUTHORISED REPRESENTATIVES
Mr. Lau Chiu Pui
Mr. Lai Shu Pui, Fergus

COMPLIANCE OFFICER
Mr. Wong Kit Mei

QUALIFIED ACCOUNTANT
Miss Li Ching Wah, AHKSA, AICPA, BBA

AUDIT COMMITTEE
Mr. Chan Wai Choi, Glenn
Miss Kwan Ngan Hing, Edith
Mr. Yip Ho Pong

SPONSOR
Core Pacific - Yamaichi Capital Limited
36th Floor, Cosco Tower,
Grand Millennium Plaza,
183 Queen's Road
Central,
Hong Kong

LEGAL ADVISERS
Victor Chu & Co – as to Hong Kong Law
19th Floor, Tower 2
The Gateway, Harbour City
Kowloon,
Hong Kong

Appleby Spurling & Kempe – as to Bermuda Law
5511, The Center,
99 Queen's Road Central,
Central,
Hong Kong.

AUDITORS
Arthur Andersen & Co
Certified Public Accountants
21st Floor, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong.

REGISTERED OFFICE
Cedar House, 41 Cedar Avenue, Hamilton HM 12,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Units 1-3, 31st Floor, Laws Commercial Plaza,
788 Cheung Sha Wan Road, Kowloon, Hong Kong

Website : http://www.cyberm.com.hk

PRINCIPAL BANKER
Hang Seng Bank Limited
10 Nassau Street, Mei Foo Sun Chuen,
Kowloon, Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Reid Management Limited
4th Floor Windsor Place, 22 Queen Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Rooms 1901-1905 19th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong.

It was a difficult year for CyberM International (Holdings) Ltd. The difficult economic environment has affected the Group's performance significantly. The generally pessimistic attitudes towards the internet-based business and the burst of the information technology bubble have caused many enterprises to slow down in upgrading their IT applications. Nevertheless, the Group sees this as an opportunity to consolidate its market position for the years ahead.

Year in Review

	2002	2001
	HK$'000	HK$'000
Turnover	**14,145**	19,385
Net loss attributable to shareholders	**12,224**	3,148
Loss per share	**HK4.9 cents**	HK1.3 cents

	Turnover		**(Loss) Profit from operation**	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Development of customised software and sales of related computer equipment	**6,585**	11,349	**(3,301)**	(10)
Sales and lease of packaged software	**3,482**	4,532	**(3,839)**	(50)
Technical support and maintenance services	**3,946**	3,372	**(1,462)**	403
Lease of property	**132**	132	**(18)**	82
Unallocated corporate expenses	**–**	–	**(3,662)**	(2,897)
	14,145	19,385	**(12,282)**	(2,472)

For the year ended 31st March 2002, the Group's turnover was HK$14,145,000 down by 27% from previous year's of HK$19,385,000. Net loss attributable to shareholders increased to HK$12,224,000 (2001: HK$3,148,000) where the loss per share rose to HK4.9 cents per share (2001: loss of HK1.3 cents per share). In the year under review, there was a substantial increase in expenditure of the Group, especially on staff costs and related overheads, resulting from the Group's expansion after it was listed on the Exchange in August 2000. Moreover, with global economic recession, most SMEs are very cautious on their spending especially on technological facilities, which they generally considered to be luxuries. This presented a big obstacle to the Group's sales and marketing team.

In view of the difficult operating environment and to maintain the Group's competitiveness, the Group has exercised prudent measures in controlling costs and streamlining its operations. With the expansion of the Guangzhou office, the number of staff in Hong Kong had been reduced by 34% to 40 as at 31st March 2002 as compared to the peak month during the year. Accordingly, the staff costs reduced by more than 40% from approximately HK$1.4 million in the peak month during the year to approximately HK$0.8 million in February and March 2002.

As at 31st March, 2002, the Group had contracts on hand for sales amounting to approximately HK$2.7 million (2001: HK$4.9 million), which will be booked as revenue upon delivery and implementation of the relevant products.

RESEARCH AND DEVELOPMENT

Innovation is the soul of the Group. The Group believes that keeping pace with market trends and technological advancement is the only way to equip the Group to meet the challenges ahead. For the past two years, the Group has focused on developing new products to meet different market demands, most of them have been completed and launched to the market during the year. The Group believes that the products will be well received by the market and bring with the Group fruitful results in the coming years. Some of the Group's focal products are:

BEAUTY & SALON MANAGEMENT SOLUTION

A total integrated solution specifically developed for the Beauty and Salon industry. It supports membership and loyalty schemes. Customer details including personal information, treatment courses purchased, service bookings and payment records can all be handled by a single system. It also supports different product pricing schemes and cross product discounts.

EDUCATION SOLUTION

A solution to promote all schools to smart campus at a reasonable price. By integrating with the Octopus system, this solution allows payment, access control, library borrowing records and attendance records to be easily processed with the use of a single Octopus card.

WIRELESS SOLUTION

A solution offers full mobility to meet various business requirements. It has different modules including sales order automation, mobile point-of-sales, mobile stock take and purchase request, for commercial application or even for education sector.

SALES AND MARKETING

The Group believes that building a well-recognised product brand name and corporate image and enhancing customer satisfaction through new product development are the most effective means to capture larger market share. During the year under review, the Group participated actively in exhibitions, seminars, tradeshows and other promotion events organized by the Hong Kong Productivity Council, the Asian Solution Centre, the Hong Kong Wireless Technology Industry Association and other prominent I.T. associations, both local and abroad.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2002, the Group has a cash and bank balance of approximately HK$8,442,000. The Group's current assets are approximately 3.5 times (2001: 5.3 times) over its current liabilities while the gearing ratio, representing long-term liabilities divided by shareholders funds, was maintained at a very low level of 0.43% (2001: 0.82%). As at 31st March, 2002, the Group has neither contingent liabilities nor any charges on assets.

FOREIGN CURRENCY EXPOSURE

The reporting currency adopted by the Group is Hong Kong dollars. As most of the Group's sales, expenditures, assets and liabilities were denominated in Hong Kong dollars, the Group's exposure to foreign currency fluctuation is minimal and therefore, no hedging against foreign currency exposure is considered necessary.

EMPLOYEES

As at 31st March, 2002, the Group has 64 employees (2001: 57) in Hong Kong and Guangzhou. The total remuneration to employees, including that to the executive directors, for the year ended 31st March, 2002 amounted to approximately HK$12.1 million (2001: HK$9.8 million). Remuneration is commensurate with individual performance and experience. Employees in Hong Kong are also entitled to provident fund contributions, medical coverage and share options. For employees in Guangzhou, the Group is required to contribute to a state-sponsored retirement plan for them at certain prescribed rates of their basic salaries.

To maintain the standard of services and for staff development, the Group provided comprehensive on-the-job trainings to its staff. The Group also subsidised those taking part in job-related training courses provided by certain recognised institutions.

Commencing the financial year 2003, the year-end bonus (the 13th month pay) will be distributed on a discretionary basis. Moreover, as a determination to stand by the Group and share the burden at this difficult time, several management staff, including the Chairman, have had their monthly salaries cut by 25% commencing February 2002 until the financial condition of the Group improves.

FUTURE PROSPECTS

Although China's admission to the World Trade Organisation may bring with the businesses in Hong Kong huge opportunities and there are signs that Hong Kong is on the way to economic recovery, the Group expects more pressure and competitions in the coming years. Confronted with the coming difficulties, the Group will take every measure to enhance its operating efficiency and to control operating costs so as to increase its competitiveness. At the same time, the Group will launch more value-added services to its customers to strengthen its customer base. These will prepare the Group to benefit from the coming economic recoveries.

KEY BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31ST MARCH, 2002

ACTUAL BUSINESS PROGRESS

REVENUE AND BUSINESS DEVELOPMENT

Continue the business development activities from the previous six months ended 30th September, 2001.

Hong Kong

The group continued to focus on developing packaged products which are user friendly and cost effective to SMEs in Hong Kong such as the CyberM Beauty & Salon Management Solution and the CyberM Octopus Smart Card e-payment solution.

Taiwan

Due to the unfavorable economic conditions of the region, the Group has put its plan to enter the market in Taiwan on hold until the market conditions improved.

The PRC

The Group has launched its internet-based retail module of the CyberM Business Series to its customers in Beijing and Shanghai in October 2001. The Group's customer service center in Guangzhou provided real time support to its customers in the mainland China.

Conduct marketing campaigns to promote the B2B enterprise portal along with CyberM Business Series and CyberM Mobile Series in the Greater China Region.

The Group had participated in a number of marketing events held in Hong Kong and Mainland China including:

- CosmoProf Asia 2001 in November 2001
- Software Exhibition in November 2001
- IBM user conference in December 2001
- 廣州美容美髮展覽會in December 2001
- Hong Kong Information and Infrastructure Exhibition in March 2002

Study the market condition and business environment of the potential Northern China market and formulate the marketing strategies and identify the marketing channels.

The Group is working with an experienced IT solution provider on selling and distributing the CyberM Retail Series to a Commercial Complex in Beijing.

PRODUCTS AND SERVICES

Continue the products and services activities from the previous six months ended 30th September, 2001.	The SchoolPlus Scheme and the Beauty & Salon Management Solution were launched in September 2001 and October 2001 respectively.
Launch B2B enterprise portal in the Greater China Region.	Due to the slowdown in the internet market, most enterprise portals are not profitable. The Group has been cautious in looking for suitable industries for the development of B2B enterprise portal. The Group does not want to rush into the portal market until the internet businesses are more widely accepted.
Subject to the setting up of the relevant joint venture(s), research and develop interface with banks, shipping companies and/or freight forwarders in Eastern China Region.	During the past six months, the Group has discussed with serveral local (in Eastern China region) IT companies, however, no agreement has come up with. The Group is still looking for a suitable partner for the joint ventures.
Continue the development of Internet-based CyberM Retail Series.	The Group has launched its internet-based retail module of the CyberM Business Series to the customers in Beijing and Shanghai in October 2001. The SchoolPlus Scheme is run on internet environment.

RESEARCH AND DEVELOPMENT

Continue the R&D activities from the previous six months ended 30th September, 2001.	The Group is doing research on applying the GPRS (General Packet Radio Service) technology to enhance the Group's product features.
Study and research the customisation of CyberM Business Series to cater for individual market segments in the PRC.	In addition to the photo-finishing industry, the Group is focusing on customising its CyberM Beauty & Salon Management Solution to suit the market demand in the Mainland China.

EXPANSION AND BUSINESS ALLIANCE

Continue the expansion and business alliance activities from the previous six months ended 30th September, 2001.

The Group is negotiating with a business partner (a database provider) to promote its products to the SMEs in the Mainland China.

Subject to the setting up of the relevant joint venture(s), establish local customer services team(s) and sales office(s) in Eastern China.

Subject to the setting up of the relevant joint venture(s), establish a regional headquarter of Eastern China in Shanghai.

The Group is reconsidering the plan of setting up of a local customer service team and sales office in Eastern China and establishment of a regional headquarter in Shanghai because no suitable partner identified so far. Instead, the Group has strengthened its customer service team in Guangzhou. The Group believes that, at the current stage, it is more cost effective to have one strong team serving all the customers in the Mainland China.

Explore the possibility of forming alliances with local partners in Northern China.

Discussion with the potential partner (an IT solution provider) is in progress.

USE OF PROCEEDS

The net proceeds from the public listing had been applied in the following areas:

For the six months ended 31st March, 2002	Budgeted HK$million	Actual HK$million
R&D in the technology, new functions and customisation of B2B eBusiness solutions	0.60	0.43
Promotion of CyberM Business Series (note 1)	1.97	1.46
R&D in the new functions and customisation of mobile and wireless mobile computing technologies	1.01	1.13
Promotion of CyberM Mobile Series	0.66	0.76
R&D and promotion of a B2B enterprise portal (note 2)	0.87	0.43
Expand into the Greater China Region (note 3)	0.75	1.14
	5.86	5.35

Notes : The significant variation from the budget is due to:

1. The result of the promotion campaigns launched were not satisfactory, therefore, expenditure on promoting the CyberM Business Series were reduced near the end of the financial year.
2. The slow down in the internet market and therefore, the Group has suspended most of the promotion activities of the B2B enterprise portal until the internet business are more widely accepted.
3. More funding injected to the Group's office in Guangzhou to expand the customer service and R&D teams.

Profile of Management

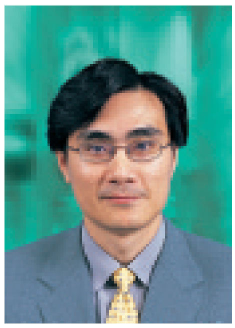
MR. LAU CHIU PUI, DUNCAN, aged 45, is the Chairman and CEO of CyberM International (Holdings) Limited. Being the founder of the Group with over 20 years IT experience, Mr. Lau is an active advocator in promoting the IT development in Hong Kong. Mr. Lau has been responsible for the overall strategic planning and business development of the Group since its establishment in Hong Kong.

Mr. Lau is the Chairman of Hong Kong Wireless Technology Industry Association. He shares the mission of the Association, which is to unite the IT industry in order to accelerate the development and usage of wireless technology locally and globally. He is also the co-founder and council member of the Information and Software Industry Association.

Mr. Lau holds a bachelor degree in science from the University of Toronto, Canada.

MR. YIP HO PONG, aged 36, is an executive director of the Company. He holds a bachelor degree in science. He is responsible for the Group's overall strategic planning and formulation of corporate strategy for the Sales and Marketing operation for more than 10 years.

MR. LAI SHU PUI, FERGUS, aged 37, is an executive director of the Company. He is responsible for the customer and technical service operations of the Group. He is now focusing on the SMEs sector. He joined the group in 1992 and has ten years of experience in IT industry.



MR. WONG KIT MEI, aged 37, is an executive director of the Company. He holds a bachelor degree in manufacturing engineering. He is responsible for the overall technical research and software development functions of the group. He has been working with the group for more than 10 years.

NON-EXECUTIVE DIRECTOR

MR. CHIU RAYMOND YIM, aged 51, holds a bachelor degree in Electronics Engineering Technology from California Polytechnics State University at San Luis Obispo, California and an MBA from Pepperdine University. He is currently the vice president of Business Development Asia Pacific and Japan of anywhere Solution Inc., a subsidiary of Sybase Inc.. Mr. Chiu has over 27 year's experience in the technology industry. His experience ranges from product development, operations management, business development, sales and marketing to venture investments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHAN WAI CHOI, GLENN, aged 41, holds a diploma in mechanical engineering. He is currently a director and the general manager of a company engaged in the trading of farm produce in Canada. He has over 15 years experience in international sales and marketing.

MR. KWAN NGAN HING, EDITH, aged 53, has over thirty year's IT experiences. Ms. Kwan previously held directorship and senior management positions in the Hong Kong Jockey Club, NCR Limited, AT & T Asia/ Pacific Inc., the Hong Kong Polytechnic University, and the Dow Chemical Pacific Limited. She acted as a member of the Management Committee of the Joint Universities Computer Centre in Hong Kong. She is now playing an active role in Hong Kong Computer Society. She holds an MBA degree from the University of Warwick, Coventry, United Kingdom.

SENIOR MANAGEMENT

MR. LEUNG MAN KIT, aged 30, joined the Group in 1997. He is the project manager of the Group. He holds a bachelor degree in computing and information systems from the University of London, United Kingdom.

MR. CHAN TSE KIN, aged 29, joined the Group in 1997. He is the senior technical Analyst of the Group. He holds a bachelor degree in computer science from the Victoria University of Technology, Australia.

MR. POON SIU SIN, aged 43, joined the Group as a project manager in 2001. Ms. Poon holds a high diploma in marketing management. She has over 15 years experience in marketing and project consultancy.

MR. Wang Hing Yat, aged 42, joined the Group as a Sales Manager in 2002. Mr. Wang holds a bachelor degree in Electrical Engineering with major study in wire/wireless communication from University of Ottawa, Canada. He has more than 15 years sales and marketing experience in China.

MS. LI CHING WAH, aged 29, joined the Group as a finance manager in 2000. Ms. Li holds a bachelor degree in business administration and she is an associate member of the Hong Kong Society of Accountants.

The Directors are pleased to present their annual report together with the audited financial statements of CyberM International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in development and trading of computer software, trading of computer equipment, provision of computer consultancy services, and property investment.

An analysis of the Group's turnover by product category for the year ended 31st March, 2002 is as follows:

	Turnover	
	2002	2001
	HK$'000	HK$'000
Development of customised software and sales of related computer equipment	**6,585**	11,349
Sales and lease of packaged software	**3,482**	4,532
Technical support and maintenance services	**3,946**	3,372
Rental income	**132**	132
	14,145	19,385

Substantially all of the Group's sales were made to customers in Hong Kong.

No analyses of loss from operations by product category is presented as they are generally in line with the distribution of turnover set out above.

CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the five largest customers accounted for approximately 51% (2001 – 52%) of the Group's total turnover, while the five largest suppliers of the Group accounted for approximately 57% (2001 – 83%) of the Group's total purchases. The largest customer accounted for approximately 17% (2001 – 26%) of the Group's total turnover while the largest supplier accounted for approximately 26% (2001 – 27%) of the Group's total purchases.

As far as the Directors are aware, none of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the five largest customers and suppliers of the Group.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st March, 2002 are set out in the consolidated income statement on page 23 of this annual report.

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND SHARE OPTIONS

Details of shares capital and share options of the Company are set out in Notes 18 and 19 to the accompanying financial statements.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves of the Group and the Company during the year are set out in Note 20 to the accompanying financial statements. Movements in accumulated deficit of the Group during the year are set out in the consolidated income statement on page 23 of this annual report.

As at 31st March, 2002, the Company had no reserves available for distribution to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda in relation to the issue of new shares by the Company.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 13 to the accompanying financial statements.

FURNITURE AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in furniture and equipment and investment property during the year are set out in Notes 9 and 10 to the accompanying financial statements.

COMMITMENTS

Particulars of commitments as at 31st March, 2002 are set out in Note 23 to the accompanying financial statements.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 24 to the accompanying financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. Lau Chiu Pui	
Mr. Yip Ho Pong	
Mr. Lai Shu Pui, Fergus	
Mr. Wong Kit Mei	
Mr. Fung Yiu Fai	(Resigned on 18th July, 2001)

NON-EXECUTIVE DIRECTORS

Mr. Chiu Raymond Yim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Ngan Hing, Edith	
Mr. Chan Wai Choi, Glenn	(Appointed on 17th June, 2002)
Mr. Chan Siu Yeung	(Resigned on 14th June, 2002)

In accordance with the Bye-Laws of the Company, Mr. Chan Wai Choi, Glenn retires and, by rotation, Mr. Lai Shu Pui, Fergus and Mr. Chiu Raymond Yim also retire from office. Being eligible, the three directors offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of two years commencing 17th August, 2000. The service contracts shall continue thereafter until terminated by either party giving the other not less than three months' notice after the expiration of the said initial fixed term.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2002, the following Directors of the Company had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM ("the GEM Listing Rules").

Name of Directors	Type of interest	Number of shares	Percentage of shareholdings
Lau Chiu Pui (Mr. Lau)	Discretionary trust (Note)	191,250,000	76.48%
Yip Ho Pong (Mr. Yip)	Discretionary trust (Note)	191,250,000	76.48%
Lai Shu Pui, Fergus (Mr. Lai)	Discretionary trust (Note)	191,250,000	76.48%
Wong Kit Mei (Mr. Wong)	Discretionary trust (Note)	191,250,000	76.48%

Note:

The 191,250,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in the Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung Yiu Fai (Mr. Fung), formerly an executive director of the Company, who resigned effective 18th July, 2001, are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK$9,000,000 only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:

(i) Prophecy Associates Limited *

(ii) Mr. Yip, his spouse, their issue and spouses of their issue **

(iii) Mr. Lai, his spouse, their issue and spouses of their issue **

(iv) Mr. Wong, his spouse, their issue and spouses of their issue **

(v) Mr. Fung, his spouse, their issue and spouses of their issue **

(vi) Mr. Chan Wing Fuk, his spouse, their issue and spouses of their issue **

The discretionary trust described above is subject to a non-binding arrangement that any distribution of trust funds will be in the following proportions:

Discretionary objects	**Proportion**
Prophecy Associates Limited *	86.68%
Mr. Yip (upon his death, his spouse, and upon the death of Mr. Yip and his spouse, their children)	3.33%
Mr. Lai (upon his death, his spouse, and upon the death of Mr. Lai and his spouse, their children)	3.33%
Mr. Wong (upon his death, his spouse, and upon the death of Mr. Wong and his spouse, their children)	3.33%
Mr. Fung (upon his death, his spouse, and upon the death of Mr. Fung and his spouse, their children)	3.33%

* All the issued ordinary shares of Prophecy Associates Limited are held by AMS Trustees Limited, a corporate trustee of a discretionary trust, the discretionary objects of which are the lineal descendants of the paternal and maternal grandfathers of Mr. Lau and his spouse but exclude, inter alia, residents of Canada.

** The families of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Chan Wing Fuk as described above are not relatives of each other. Mr. Chan Wing Fuk is the grandfather of Mr. Lau's spouse.

Each of Mr. Lau, Mr. Yip, Mr. Lai and Mr. Wong is therefore taken to have an interest in the 191,250,000 shares held by Noble Class Group Limited under the SDI Ordinance.

Save as disclosed above, none of the Director, chief executives or their associates had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – UNDER SHARE OPTION SCHEME

The Company adopted a share option scheme on 1st August, 2000 ("the Share Option Scheme"), pursuant to which it may grant options to full-time employees of the Group, including executive directors of the Company, to subscribe for shares in the Company. Pursuant to the Share Option Scheme, options were granted on 4th September, 2000 to certain executive directors and certain full-time employees of the Group to subscribe for an aggregate of 19,880,000 shares in the Company at a price of HK$1.18 per share, during the option period from 4th September, 2000 to 3rd September, 2010.

Details of the options granted to the executive directors of the Company during the year ended 31st March, 2002 are as follow:

				Number of ordinary eligible for subscription under the share option scheme shares		
Name	Date of grant	Exercise period	Exercise price per share	Beginning of year	Movement during the year	End of year
Executive Directors						
Yip Ho Pong (Note 1)	4th September, 2000	4th September, 2000 to 3rd September, 2010	HK$1.18	1,060,000	–	1,060,000
Lai Shu Pui, Fergus	4th September, 2000	4th September 2000 to 3rd September, 2010	HK$1.18	1,000,000	–	1,000,000
Wong Kit Mei (Note 2)	4th September, 2000	4th September 2000 to 3rd September, 2010	HK$1.18	1,044,000	(44,000)	1,000,000
Fung Yiu Fai (Note 3)	4th September, 2000	4th September 2000 to 3rd September, 2010	HK$1.18	1,000,000	(1,000,000)	–
				4,104,000	(1,044,000)	3,060,000

Notes:

1. 60,000 of the options were granted to the spouse, who is also a full-time employee of the Group, of Mr. Yip Ho Pong.

2. 44,000 of the options were granted to the ex-spouse, who is also a full-time employee of the Group, of Mr. Wong Kit Mei. Mr. Wong divorced from his spouse during the year.

3. Mr. Fung Yiu Fai resigned as executive director of the Company on 18th July, 2001. The options to subscribe for 1,000,000 shares in the Company granted to him lapsed on the same date.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors, their spouses or children under the age of 18 had any right to subscribe for these securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following substantial shareholders' interests, being ten percent or more of the issued share capital of the Company.

Name	Number of shares held	Percentage of shareholdings (%)
Noble Class Group Limited	191,250,000	76.48%*
Sunrise International (Holdings) Limited	191,250,000	76.48%*
Arawak Trust Company Limited	191,250,000	76.48%*
Mr. Fung Yiu Fai	191,250,000	76.48%*

* Duplication, all shareholdings are under a discretionary trust as stated above.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance as having an interest in ten percent or more of the issued share capital of the Company as at 31st March, 2002.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interests in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited ("Core Pacific – Yamaichi"), neither Core Pacific – Yamaichi nor its directors, employees or associates had any interests in the share capital of the Company as at 31st March, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 11th August, 2000 entered into between the Company and Core Pacific – Yamaichi, Core Pacific – Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 17th August, 2000 to 31st March, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has compiled with the GEM Listing Rules, in particular Rule 5.28 to 5.39 pertaining to board practices and procedures, throughout the year except that non-executive directors are not appointed on a specific term. The non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws of the Company. In the opinion of the Directors, this meets the same objective as the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee on 1st August, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group.

The audit committee comprises the two independent non-executive directors and an executive director. Mr. Chan Siu Yeung, for personal reasons, resigned as an independent non-executive director and chairman of the audit committee of the Company on 14th June, 2002 and Mr. Chan Wai Choi, Glenn was appointed as an independent non-executive director and chairman of the audit committee of the Company on 17th June, 2002. The committee has met four times during the year with the management to discuss and review the Group's various internal control and audit issues with a view to further improve the Group's corporate governance. The Group's audited results for the year ended 31st March, 2002 have been reviewed by the audit committee at its meeting held on 19th June, 2002. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co ("Arthur Andersen"), which do not seek re-appointment upon their retirement at the forthcoming annual general meeting following the combination of their practice with PricewaterhouseCoopers from 1st July, 2002. Arthur Andersen has waived the requirement of sending a notice of change of auditors to the shareholders of the Company pursuant to Bye-law 165 of the Company. A resolution for the appointment of PricewaterhouseCoopers as the Company's new auditors for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lau Chiu Pui
Chairman

Hong Kong,
21st June, 2002

ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF CYBERM INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March, 2002 and of the loss and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
21st June, 2002

Consolidated Income Statement

For the year ended 31st March, 2002

(Expressed in Hong Kong dollars)

	Note	**2002** **$'000**	2001 $'000
Turnover	3	**14,145**	19,385
Material and equipment		**(4,730)**	(6,634)
Staff costs		**(10,479)**	(7,590)
Depreciation and impairment loss of furniture and equipment		**(1,070)**	(585)
Amortisation and impairment loss of development expenditures		**(2,442)**	(883)
Provision for bad and doubtful debts		**(16)**	(1,003)
Deficit on revaluation of an investment property		**(150)**	(50)
Other operating expenses		**(7,540)**	(5,112)
Loss from operations		**(12,282)**	(2,472)
Provision for impairment in value of a long-term investment		**(250)**	(1,350)
Interest income	3	**347**	771
Interest expense		**(39)**	(156)
Loss before taxation	4	**(12,224)**	(3,207)
Taxation	6	**–**	59
Loss attributable to shareholders	7	**(12,224)**	(3,148)
Accumulated deficit, beginning of year		**(3,224)**	(76)
Accumulated deficit, end of year		**(15,448)**	(3,224)
Loss per share – Basic	8	**HK(4.9) cents**	HK (1.3) cents

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2002

(Expressed in Hong Kong dollars)

	Note	**2002**	2001
		$'000	$'000
Gain (Loss) not recognised in the consolidated income statement			
– Translation adjustments	20	**23**	(27)
Loss attributable to shareholders		**(12,224)**	(3,148)
Total recognised losses		**(12,201)**	(3,175)

Balance Sheets

As at 31st March, 2002

(Expressed in Hong Kong dollars)

		Consolidated		Company	
		2002	2001	**2002**	2001
	Note	**$'000**	$'000	**$'000**	$'000
NON-CURRENT ASSETS					
Furniture and equipment	9	**1,262**	1,769	**–**	–
Investment property	10	**1,500**	1,650	**–**	–
Development expenditures	11	**1,987**	1,839	**–**	–
Long-term investments	12	**580**	830	**–**	–
Investments in subsidiaries	13	**–**	–	**15,400**	11,972
Total non-current assets		**5,329**	6,088	**15,400**	11,972
CURRENT ASSETS					
Inventories	14	**644**	676	**–**	–
Prepayments and deposits		**820**	1,177	**241**	243
Trade receivables	15	**3,432**	3,363	**–**	–
Other investment		**–**	494	**–**	494
Cash and bank deposits		**8,442**	20,315	**15**	14,512
Total current assets		**13,338**	26,025	**256**	15,249
CURRENT LIABILITIES					
Short-term bank loan		**–**	(279)	**–**	–
Finance lease obligations, current portion	16	**(158)**	(154)	**–**	–
Trade payables	17	**(800)**	(2,389)	**–**	–
Accruals and other payables		**(1,611)**	(1,092)	**(839)**	(180)
Receipts in advance		**(1,208)**	(951)	**–**	–
Total current liabilities		**(3,777)**	(4,865)	**(839)**	(180)
Net current assets (liabilities)		**9,561**	21,160	**(583)**	15,069
Total assets less current liabilities		**14,890**	27,248	**14,817**	27,041

Balance Sheets

As at 31st March, 2002

(Expressed in Hong Kong dollars)

		Consolidated		Company	
		2002	2001	**2002**	2001
	Note	**$'000**	$'000	**$'000**	$'000
NON-CURRENT LIABILITIES					
Finance lease obligations, non-current portion	16	**(64)**	(221)	**–**	–
Total non-current liabilities		**(64)**	(221)	**–**	–
Net assets		**14,826**	27,027	**14,817**	27,041
Representing –					
SHARE CAPITAL	18	**25,006**	25,006	**25,006**	25,006
RESERVES	20	**5,268**	5,245	**5,613**	5,613
ACCUMULATED DEFICIT		**(15,448)**	(3,224)	**(15,802)**	(3,578)
		14,826	27,027	**14,817**	27,041

Approved by the Board of Directors on 21st June, 2002:

LAU CHIU PUI
Chairman

YIP HO PONG
Director

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

(Expressed in Hong Kong dollars)

	Note	2002 $'000	2001 $'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21.a	**(9,119)**	(1,716)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**347**	771
Interest paid		**(39)**	(156)
		308	615
TAXATION			
Hong Kong profits tax paid		**–**	(337)
INVESTING ACTIVITIES			
Additions of furniture and equipment		**(568)**	(1,341)
Proceeds from disposal of furniture and equipment		**10**	1
Increase in development expenditures		**(2,590)**	(2,722)
Additions of long-term investments		**–**	(1,850)
Addition of other investment		**–**	(527)
Proceeds from disposal of other investment		**500**	42
Translation adjustments		**18**	(24)
		(2,630)	(6,421)
Net cash outflow before financing		**(11,441)**	(7,859)
FINANCING	21.b		
Issue of shares		**–**	34,946
Share issue expense		**–**	(7,055)
New short-term bank loan		**–**	279
Repayment of short-term bank loan		**(279)**	–
Repayment of long-term bank loan		**–**	(2,079)
Repayment of capital element of finance lease obligations		**(153)**	(134)
		(432)	25,957
(Decrease) Increase in cash and bank deposits		**(11,873)**	18,098
CASH AND BANK DEPOSITS, beginning of year		**20,315**	2,217
CASH AND BANK DEPOSITS, end of year		**8,442**	20,315

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. ORGANISATION AND OPERATIONS

CyberM International (Holdings) Limited ("the Company") was incorporated in Bermuda on 3rd March, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the Growth Enterprise Market ("the GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 17th August, 2000.

The Company is an investment holding company. Its subsidiaries are principally engaged in the development and trading of computer software, trading of computer equipment, the provision of computer consultancy services, and property investment.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). Principal accounting policies are summarised below:

A. BASIS OF PRESENTATION

The financial statements as at and for the year ended 31st March, 2002 have been prepared on the going concern basis which assumes the Company and its subsidiaries (together "the Group") will be able to meet their financial obligations when they fall due. For the year ended 31st March, 2002, the Group had a net cash outflow from operating activities of approximately $9,119,000 and loss attributable to shareholders of approximately $12,224,000.

Inherent in the Group's businesses are various risks and uncertainties, including limited operating history, uncertain profitability, history of losses and risks associated with the information technology business, and the ability to raise additional capital and financing. The Group's ability to continue as a going concern depends on the success of its future operations.

Towards the end of the year, the Group implemented cost control measures. In addition, during the year ended 31st March, 2002, the Group had completed the development of a number of new products, which had been launched to the market as at or subsequent to 31st March, 2002, and the Group had received sales orders for certain of these new products. The Company's Directors are confident that the Group can continue as a going concern. Accordingly, the financial statements do not include any adjustments that would result should the Group not be able to continue as a going concern.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

B. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investment property.

C. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

During the year ended 31st March, 2002, the Group adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 17 "Property, plant and equipment" and SSAP 18 "Revenue". The Directors considers that the adoption of and the consequential changes made to the above SSAPs do not have a material impact on the financial statements of the Group.

D. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

E. SUBSIDIARIES

A subsidiary is an enterprise that the Company controls which is normally evidenced when the Company has the power to govern its financial and operating policies so as to benefit from its activities. In the Company's balance sheet, investments in subsidiaries are carried at cost less impairment loss, while income from subsidiaries is accounted for to the extent of dividends received and receivable.

F. TURNOVER AND REVENUE RECOGNITION

Turnover comprises (i) fees for development of customised software and sales of related computer equipment; (ii) the net invoiced value for sales and lease of packaged software, after allowance for returns and discounts; (iii) fees for technical support and maintenance services; and (iv) rental income.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with a transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Development of customised software and sales of related computer equipment

The Group enters into contracts with customers whereby development of customised software and sales of related computer equipment are bundled together in one contract. Revenue from development of customised software and sales of related computer equipment is recognised by reference to the stage of completion of the related customisation work. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. No work-in-progress was recognised during the year ended 31st March, 2002 as there were no material direct costs attributable to these services.

(ii) Sales and lease of packaged software

Revenue from sales of packaged software is recognised when the significant risks and rewards of ownership of goods have been transferred to customers. Revenue from the lease of packaged software is recognised when the leasing income becomes due and receivable.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

F. TURNOVER AND REVENUE RECOGNITION (Continued)

(iii) Technical support and maintenance services

Fees for technical support and maintenance services are recognised ratably over the terms of the respective service contracts.

(iv) Rental income

Rental income is recognised when the rental becomes due and receivable.

(v) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield of the assets.

Advance payments received from customers prior to delivery of merchandise or provision of services are recorded as receipts in advance.

G. TAXATION

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that it is probable that a liability or an asset will crystallise.

H. ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred.

I. EMPLOYEE RETIREMENT BENEFITS

Costs of employee retirement benefits are recognised as an expense in the period in which the employees' services are rendered.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

J. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to bring to its intended use or sale are capitalised as part of the cost of that asset at rates based on the actual cost of specific borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

K. FURNITURE AND EQUIPMENT AND DEPRECIATION

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Major expenditures on modifications and betterments of furniture and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Leasehold improvements	50% (over unexpired lease term)
Furniture and fixtures	25%
Computer equipment	25%
Motor vehicle	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The depreciation method and useful life are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the furniture and equipment.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are eliminated from the financial statements and any gain or loss resulting from their disposals is included in the income statement.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

L. INVESTMENT PROPERTY

Investment property is an leasehold interest in land and building in respect of which construction and development work have been completed and which is held for its long-term investment potential. Investment property is stated at its open market value on the basis of an annual valuation by independent qualified valuers. All changes in the value of investment property are dealt with in the investment property revaluation reserve unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the net deficit is recognised in the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously recognised.

No depreciation is provided for investment property unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

M. RESEARCH AND DEVELOPMENT EXPENDITURES

Research expenditures are written off as incurred. Development expenditures are charged against income in the period incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and where they comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Capitalised development expenditures are amortised on a straight-line basis over the period of three years in which the related products are expected to be sold, starting from the commencement of sales, or the processes are expected to be used.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

N. LONG-TERM INVESTMENTS

Investments in debt and equity securities (other than held-to-maturity securities) which are intended to be held for an identified long-term purpose on a continuing basis, are classified as long-term investments and are included in the balance sheet at cost less impairment loss.

The carrying amounts of long-term investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. Provisions against the carrying value of long-term investments are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

O. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of costing and includes costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

P. IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

Q. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

R. LEASES

(i) Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

(ii) Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

S. FOREIGN CURRENCY TRANSLATION

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("the functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at rates of exchange in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the respective functional currencies at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at applicable exchange rates in effect at the balance sheet date; income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising on such translation are dealt with as movements in the cumulative translation reserve.

T. SEGMENTS

Business segments: for management purposes the Group is organised into four major operating businesses. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 22.

Intersegment transactions: segment revenue, segment expenses and segment performance include transfers between business segments and between geographical segments. These transfers are eliminated upon consolidation.

U. SUBSEQUENT EVENTS

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

V. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. TURNOVER AND REVENUE

Turnover and revenue consist of:

	2002	2001
	$'000	$'000
Fees for development of customised software and sales of related computer equipment	**6,585**	11,349
Sales and lease of packaged software	**3,482**	4,532
Fees for technical support and maintenance services	**3,946**	3,372
Rental income	**132**	132
Total turnover	**14,145**	19,385
Interest income	**347**	771
Total revenue	**14,492**	20,156

Substantially all of the Group's turnover was made to customers in Hong Kong. Approximately 51% (2001 – 52%) of the Group's turnover for the year ended 31st March, 2002 was derived from the top five customers.

4. LOSS BEFORE TAXATION

Loss before taxation is determined after charging and crediting the following items:

	2002	2001
	$'000	$'000
After charging –		
Staff costs (including directors' emoluments)	13,069	10,312
Less: amount capitalised as development expenditures	(2,590)	(2,722)
	10,479	7,590
Advertising and promotion costs	1,745	344
Operating lease rentals of rented premises	1,363	902
Depreciation of furniture and equipment		
– owned assets	708	429
– assets held under finance leases	162	156
Loss on disposal of furniture and equipment	–	5
Amortisation of development expenditures	742	581
Provision for slow-moving and obsolete inventories	130	170
Interest expense on		
– bank loan wholly repayable within five years	10	114
– finance leases	29	42
Net exchange loss	–	11
Auditors' remuneration	400	480
After crediting –		
Rental income less outgoings	132	132
Interest income from bank deposits	347	771
Gain on disposal of other investment	6	9
Net exchange gain	11	–

5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

A. DETAILS OF EMOLUMENTS PAID/PAYABLE TO DIRECTORS OF THE COMPANY ARE AS FOLLOWS:

	2002 $'000	2001 $'000
Fees for executive directors	–	–
Fees for non-executive directors	–	–
Other emoluments for executive directors		
– Basic salaries and allowances	1,464	1,385
– Bonuses	–	108
– Pension scheme contributions	91	73
Other emoluments for non-executive directors	–	–
	1,555	1,566

For the year ended 31st March, 2002, the five executive directors individually received emoluments of approximately $514,000 (2001 – $323,000), $325,000 (2001 – $301,000), $297,000 (2001 – $281,000), $289,000 (2001 – $269,000) and $130,000 (2001 – $392,000), respectively.

The emoluments of all directors fall within the range of nil to $1,000,000.

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

B. DETAILS OF EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS (INCLUDING DIRECTORS AND OTHER EMPLOYEES) ARE AS FOLLOWS:

	2002	2001
	$'000	$'000
Basic salaries and allowances	**2,080**	1,861
Bonuses	**–**	79
Pension scheme contributions	**73**	65
	2,153	2,005

One (2001 – one) of the highest paid individuals was a director of the Company, whose emoluments have been included in Note 5.a above.

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of all of the five highest paid individuals (including directors and other employees) fall within the range of nil to $1,000,000.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. TAXATION

Taxation consists of:

	2002 **$'000**	2001 $'000
Current Hong Kong profits tax		
– Overprovision in prior year	–	(59)

The Company is exempted from taxation in Bermuda until 2016. No provision for Hong Kong profits tax was made since the Group had no assessable profits arising in or derived from Hong Kong. CyberM (Guangzhou) Information Technology Limited ("CyberM GZ"), a subsidiary, is a new-and-high technology enterprise established in a New-and-High Technology Development Zone in Mainland China. It is subject to Mainland China enterprise income tax at a rate of 33% (30% state unified income tax and 3% local income tax) on its taxable income determined according to Mainland China tax laws. Upon successful application for the new-and-high technology enterprise status, Cyber GZ can be exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction in income tax for the next five years. As at 31st March, 2002, CyberM GZ was in a loss position and was in the process of applying for the new-and-high technology enterprise status.

There was no significant unprovided deferred taxation as at 31st March, 2001 and 2002.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

During the year ended 31st March, 2002, the consolidated loss attributable to shareholders included a loss of approximately $12,224,000 (2001 – $3,578,000) dealt with in the financial statements of the Company.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately $12,224,000 (2001 – $3,148,000) and on the weighted average number of approximately 250,060,000 shares (2001 – 235,956,000 shares) in issue during the year.

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

9. FURNITURE AND EQUIPMENT

Movements of furniture and equipment (consolidated) are as follows:

	2002					2001
	Leasehold improvements	Furniture and fixtures	Computer equipment	Motor vehicle	Total	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Beginning of year	543	773	1,586	457	3,359	2,031
Additions	59	141	368	–	568	1,341
Disposals	–	–	(13)	–	(13)	(10)
Translation adjustments	2	1	2	–	5	(3)
End of year	604	915	1,943	457	3,919	3,359
Accumulated depreciation and impairment loss						
Beginning of year	204	315	887	184	1,590	1,009
Provision for the year	305	173	278	114	870	585
Disposals	–	–	(3)	–	(3)	(4)
Provision for impairment loss	–	–	200	–	200	–
End of year	509	488	1,362	298	2,657	1,590
Net book value						
End of year	95	427	581	159	1,262	1,769
Beginning of year	339	458	699	273	1,769	1,022

(Amounts expressed in Hong Kong dollars unless otherwise stated)

9. FURNITURE AND EQUIPMENT (Continued)

Certain furniture and fixtures and motor vehicle were purchased under finance leases. Details of the assets are as follows:

	2002			2001
	Furniture and fixtures	**Motor vehicle**	**Total**	Total
	$'000	**$'000**	**$'000**	$'000
Cost	**174**	**457**	**631**	631
Less: Accumulated depreciation	**(91)**	**(298)**	**(389)**	(227)
Net book value	**83**	**159**	**242**	404

10. INVESTMENT PROPERTY

Movements of investment property (consolidated) are as follows:

	2002	2001
	$'000	$'000
Beginning of year	**1,650**	1,700
Deficit on revaluation	**(150)**	(50)
End of year	**1,500**	1,650

The investment property is located in Hong Kong and is held under a medium-term lease on the basis of the rights of extension by virtue of the New Territories Leases (Extension) Ordinance 1998. It is stated at its open market value of $1,500,000 as at 31st March, 2002 as determined by LCH (Asia Pacific) Surveyors Limited, independent qualified valuers.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. DEVELOPMENT EXPENDITURES

Movements of development expenditures (consolidated) are as follows:

	2002 **$'000**	2001 $'000
Cost		
Beginning of year	**2,268**	–
Additions	**2,590**	2,722
Write-off	**–**	(454)
End of year	**4,858**	2,268
Accumulated amortisation and impairment loss		
Beginning of year	**429**	–
Provision for the year	**742**	581
Write-off	**–**	(152)
Provision for impairment loss	**1,700**	–
End of year	**2,871**	429
Net book value		
End of year	**1,987**	1,839
Beginning of year	**1,839**	–

During the year, the Company's Directors reviewed and evaluated the recoverability of the carrying value of the development expenditures and determined to provide for an impairment loss of $1,700,000 (2001 – Nil).

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. LONG-TERM INVESTMENTS

Long-term investments (consolidated) consist of:

	2002 $'000	2001 $'000
Goldtrack Limited (a)	**1,850**	1,850
Club debentures	**330**	330
	2,180	2,180
Less: Provision for impairment in value	**(1,600)**	(1,350)
	580	830

Note:

a. The Group holds a 18% equity interest in Goldtrack Limited, an investment holding company incorporated in the British Virgin Islands. Goldtrack Limited holds a 50% equity interest in Trendly Systems Limited, a company incorporated in Hong Kong, which is engaged in the provision of audiotex and chatline services through telephone communication systems.

The underlying value of the long-term investments is, in the opinion of the Company's Directors, not less than the carrying value as at 31st March, 2002.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES

In the Company's balance sheet, investments in subsidiaries consist of:

	2002	2001
	$'000	$'000
Unlisted shares, at cost	**418**	418
Due from subsidiaries	**29,900**	15,259
Due to a subsidiary	**(205)**	(205)
	30,113	15,472
Less: Provision for impairment in value	**(14,713)**	(3,500)
	15,400	11,972

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so. The amount due to a subsidiary is unsecured, non-interest bearing and not repayable before 1st April, 2003.

The underlying value of the investments in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 31st March, 2002.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31st March, 2002 are as follows:

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (Note a)	Principal activities
Mcmanners Management Limited	British Virgin Islands	US$10,000	100%	Investment holding
CyberM Holdings Limited	Hong Kong	$10,000	100%	Inactive
CyberM E-commerce Limited	Hong Kong	$250,000	100%	Provision of application software services
CyberM Information Technology Limited	Hong Kong	$700,000	100%	Development and trading of computer software, trading of computer equipment, provision of computer consultancy services and property investment
CyberM Mobile Computing Limited	Hong Kong	$2	100%	Inactive
CyberM (Guangzhou) Information Technology Limited (Note b)	Mainland China	$1,750,000	100%	Provision of computer consultancy services
Schoolplus Limited	Hong Kong	$2	100%	Development and trading of computer software, trading of computer equipment and provision of computer consultancy services

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2002.

Notes:

a. The shares of Mcmanners Management Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.

b. CyberM (Guangzhou) Information Technology Limited is a wholly foreign-owned enterprise established in a New-and-High Technology Development Zone in Mainland China to be operated for ten years up to December 2010.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

14. INVENTORIES

Inventories (consolidated) consist of:

	2002 $'000	2001 $'000
Inventories – Computer equipment and software licenses	**944**	846
Less: Provision for slow-moving and obsolete inventories	**(300)**	(170)
	644	676

Inventories of approximately $944,000 (2001 – $846,000) were stated at net realisable value.

15. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. Rentals in respect of leased properties are payable by tenants on a monthly basis.

An aging analysis of trade receivables (consolidated) is as follows:

	2002 $'000	2001 $'000
Within three months	**2,084**	3,797
Over three months but within six months	**452**	33
Over six months but within one year	**2,041**	1,217
Over one year but within two years	**454**	892
	5,031	5,939
Less: Provision for bad and doubtful debts	**(1,599)**	(2,576)
	3,432	3,363

(Amounts expressed in Hong Kong dollars unless otherwise stated)

16. FINANCE LEASE OBLIGATIONS

Details of finance lease obligations (consolidated), net of future finance charges, are as follows:

	2002 $'000	2001 $'000
Repayable within a period		
– not exceeding one year	**158**	154
– more than one year but not exceeding two years	**39**	157
– more than two years but not exceeding five years	**25**	64
	222	375
Less: Amounts repayable within one year included under current liabilities	**(158)**	(154)
	64	221

17. TRADE PAYABLES

An aging analysis of trade payables (consolidated) is as follows:

	2002 $'000	2001 $'000
Within three months	**570**	2,129
Over three months but within six months	**75**	–
Over six months but within one year	**155**	260
	800	2,389

(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. SHARE CAPITAL

Movements of share capital are as follows:

	Number of shares '000	Nominal value $'000
Authorised (ordinary shares of $0.10 each)		
Upon incorporation of the Company	1,000	100
Increase in authorised share capital	999,000	99,900
As at 31st March, 2001 and 2002	1,000,000	100,000
Issued and fully paid (ordinary shares of $0.10 each)		
As at 31st March, 2000	–	–
Issue of shares arising from the group reorganisation prior to the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited	27,280	2,728
Issue of shares through a placing	37,500	3,750
Capitalisation of share premium	185,220	18,522
Issue of shares upon exercise of share options	60	6
As at 31st March, 2001 and 2002	250,060	25,006

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. SHARE OPTIONS

On 1st August, 2000, the shareholders of the Company approved a share option scheme under which its Board of Directors may, at its discretion, invite full-time employees of the Company or any of its subsidiaries, including executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares on the five trading days immediately preceding the date of offer of the options.

Movements of share options during the year ended 31st March, 2002 are as follows:

Date of grant	Exercise period	Subscription price per share	Number of share options Beginning of year '000	Granted '000	Lapsed '000	Exercised '000	End of year '000
4th September, 2000	4th September, 2000 to 3rd September, 2010	$1.18	12,848	–	(3,240)	–	9,608

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. RESERVES

Movements in reserves are as follows:

	2002				2001
	Share premium $'000	Merger reserve[a] $'000	Cumulative translation adjustments $'000	Total $'000	Total $'000
Consolidated					
Beginning of year	**5,613**	**(341)**	**(27)**	**5,245**	–
Premium on issue of shares	**–**	**–**	**–**	**–**	31,125
Share issue expense	**–**	**–**	**–**	**–**	(7,055)
Capitalisation of share premium	**–**	**–**	**–**	**–**	(18,522)
Exercise of share options	**–**	**–**	**–**	**–**	65
Merger reserve arising from the reorganisation	**–**	**–**	**–**	**–**	(341)
Translation adjustments	**–**	**–**	**23**	**23**	(27)
End of year	**5,613**	**(341)**	**(4)**	**5,268**	5,245
Company					
Beginning of year	**5,613**	**–**	**–**	**5,613**	–
Premium on issue of shares	**–**	**–**	**–**	**–**	31,125
Share issue expense	**–**	**–**	**–**	**–**	(7,055)
Capitalisation of share premium	**–**	**–**	**–**	**–**	(18,522)
Exercise of share options	**–**	**–**	**–**	**–**	65
End of year	**5,613**	**–**	**–**	**5,613**	5,613

As at 31st March, 2002, the Company had no reserves available for distribution to its shareholders.

Note:

a. Merger reserve of the Group represents the difference between the nominal value of shares issued to acquire a subsidiary through the share exchange and the nominal value of the shares acquired.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

A. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES:

	2002 $'000	2001 $'000
Loss before taxation	**(12,224)**	(3,207)
Interest income	**(347)**	(771)
Interest expense	**39**	156
Depreciation and impairment loss of furniture and equipment	**1,070**	585
Loss on disposal of furniture and equipment	**–**	5
Deficit on revaluation of an investment property	**150**	50
Amortisation and impairment loss of development expenditures	**2,442**	883
Provision for impairment in value of a long-term investment	**250**	1,350
Gain on disposal of other investment	**(6)**	(9)
Decrease (Increase) in inventories	**32**	(407)
Decrease (Increase) in prepayments and deposits	**357**	(172)
Increase in trade receivables	**(69)**	(794)
Decrease in trade payables	**(1,589)**	(591)
Increase in accruals and other payables	**519**	298
Increase in receipts in advance	**257**	908
Net cash outflow from operating activities	**(9,119)**	(1,716)

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

B. AN ANALYSIS OF CHANGES IN FINANCING IS AS FOLLOWS:

	Share capital and share premium $'000	Short-term bank loan $'000	Long-term bank loan $'000	Due to a director $'000	Due to a shareholder $'000	Finance lease obligations $'000	Total $'000
As at 31st March, 2000	77	–	2,079	2,310	–	509	4,975
Assignment to a shareholder	–	–	–	(2,310)	2,310	–	–
Issue of shares through a placing	34,875	–	–	–	–	–	34,875
Shares issue expense	(7,055)	–	–	–	–	–	(7,055)
Issue of shares and share exchange upon the reorganisation	2,728	–	–	–	(2,310)	–	418
Effect of reorganisation	(77)	–	–	–	–	–	(77)
Issue of shares upon exercise of share options	71	–	–	–	–	–	71
New short-term bank loan	–	279	–	–	–	–	279
Repayment of long-term bank loan	–	–	(2,079)	–	–	–	(2,079)
Repayment of capital element of finance lease obligations	–	–	–	–	–	(134)	(134)
As at 31st March, 2001	30,619	279	–	–	–	375	31,273
Repayment of short-term bank loan	–	(279)	–	–	–	–	(279)
Repayment of capital element of finance lease obligations	–	–	–	–	–	(153)	(153)
As at 31st March, 2002	30,619	–	–	–	–	222	30,841

22. SEGMENT INFORMATION

A. PRIMARY SEGMENT

The Group is organised into four major operating units: (i) development of customised software and sales of related computer equipment; (ii) sales and lease of packaged software; (iii) technical support and maintenance services; and (iv) lease of property. An analysis by business segment is as follows:

	2002		2001	
	External sales $'000	**Inter-segment sales $'000**	External sales $'000	Inter-segment sales $'000
Turnover				
– Development of customised software and sales of related computer equipment	**6,585**	**–**	11,349	–
– Sales and lease of packaged software	**3,482**	**–**	4,532	–
– Technical support and maintenance services	**3,946**	**–**	3,372	–
– Lease of property	**132**	**–**	132	–
	14,145	**–**	19,385	–

	2002 $'000	2001 $'000
(Loss) Profit from operations		
– Development of customised software and sales of related computer equipment	**(3,301)**	(10)
– Sales and lease of packaged software	**(3,839)**	(50)
– Technical support and maintenance services	**(1,462)**	403
– Lease of property	**(18)**	82
– Unallocated corporate expenses	**(3,662)**	(2,897)
	(12,282)	(2,472)

22. SEGMENT INFORMATION (Continued)

A. PRIMARY SEGMENT (Continued)

	2002 $'000	2001 $'000
Depreciation, amortisation and impairment loss		
– Development of customised software and sales of related computer equipment	**1,361**	724
– Sales and lease of packaged software	**2,037**	631
– Technical support and maintenance services	**–**	–
– Lease of property	**–**	–
– Unallocated corporate expenses	**114**	113
	3,512	1,468
Capital expenditures		
– Development of customised software and sales of related computer equipment	**1,264**	2,173
– Sales and lease of packaged software	**1,894**	1,890
– Technical support and maintenance services	**–**	–
– Lease of property	**–**	–
– Unallocated corporate expenditures	**–**	–
	3,158	4,063
Assets		
– Development of customised software and sales of related computer equipment	**5,807**	12,574
– Sales and lease of packaged software	**6,330**	10,523
– Technical support and maintenance services	**4,042**	5,494
– Lease of property	**1,500**	1,650
– Unallocated corporate assets	**988**	1,872
	18,667	32,113
Liabilities		
– Development of customised software and sales of related computer equipment	**1,067**	2,973
– Sales and lease of packaged software	**763**	677
– Technical support and maintenance services	**1,016**	944
– Lease of property	**31**	17
– Unallocated corporate liabilities	**964**	475
	3,841	5,086

22. SEGMENT INFORMATION (Continued)

B. SECONDARY SEGMENT

The Group has business operations in Mainland China and Hong Kong. An analysis by geographical location is as follows:

(i) Analysis by location of customers

	2002 $'000	2001 $'000
Turnover*		
– Hong Kong	**14,145**	19,385
Loss from operations		
– Mainland China	**(1,930)**	(289)
– Hong Kong	**(10,352)**	(2,183)
	(12,282)	(2,472)

* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise and rendering of service.

(ii) Analysis by location of assets

	2002 $'000	2001 $'000
Capital expenditures		
– Mainland China	**209**	204
– Hong Kong	**2,949**	3,859
	3,158	4,063
Assets		
– Mainland China	**795**	951
– Hong Kong	**17,872**	31,162
	18,667	32,113

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. OPERATING LEASE COMMITMENTS

As at 31st March, 2002, total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	Consolidated		Company	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Amounts payable within				
– one year	**532**	1,163	**–**	–
– one to two years	**132**	329	**–**	–
– two to five years	**308**	–	**–**	–
	972	1,492	**–**	–

As at 31st March, 2002, total lease payments receivable under a non-cancellable operating lease agreement are analysed as follows:

	Consolidated		Company	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Amounts receivable within				
– one year	**139**	–	**–**	–
– one to two years	**12**	–	**–**	–
	151	–	**–**	–

24. PENSION SCHEMES

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the Group participates in two pension schemes for its employees in Hong Kong, one registered under the Occupational Retirement Scheme Ordinance ("the ORSO Scheme") and one registered under the Mandatory Provident Fund legislation ("the MPF Scheme").

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. PENSION SCHEMES (Continued)

Under the ORSO Scheme, the Group has arranged for its employees (including certain executive directors) provident fund under a defined contribution scheme managed by an independent trustee. The Group makes monthly contributions to the scheme with an amount ranging from 3% to 7% of the employees' basic salaries. The employees are entitled to receive their entire contribution and the accrued interest thereon, and 100% of the employers' contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service or at a reduced scale of between 30% to 90% after completing three to nine years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group's future contributions. This scheme is not available to new employees after 1st December, 2000.

The MPF Scheme was set up on 1st December, 2000 and is a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employees and the Group are subject to a contribution cap of $12,000 per annum. Any additional contributions in excess of $12,000 are voluntary.

As stipulated by regulations in Mainland China, CyberM (Guangzhou) Information Technology Limited ("CyberM GZ"), a wholly foreign-owned subsidiary in Mainland China, participates in a state-sponsored retirement plan for all of its employees. CyberM GZ contributes to the retirement plan 11% to 21% of the basic salary of its employees and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligation payable to all retired employees.

During the year ended 31st March, 2002, the aggregate contribution made by the Group to the aforementioned pension schemes amounted to approximately $399,000 (2001 – $316,000), after deduction of forfeited contributions of approximately $5,000 (2001 – $41,000) to the ORSO Scheme. As at 31st March, 2002, there were no material forfeitures available to offset the Group's future contributions.

25. ULTIMATE HOLDING COMPANY

The directors consider Sunrise International (Holdings) Limited, a company incorporated in the Cayman Islands, to be the ultimate holding company.

(Expressed in Hong Kong dollars)

The results of the Group for the last four financial years are as follows:

	Year ended 31st March,			
	2002	2001	2000	1999
	$'000	$'000	$'000	$'000
Turnover	**14,145**	19,385	18,720	12,339
(Loss) Profit before taxation	**(12,224)**	(3,207)	1,929	1,482
Taxation	**–**	59	(387)	(319)
(Loss) Profit attributable to shareholders	**(12,224)**	(3,148)	1,542	1,163

The assets and liabilities of the Group as at 31st March, 2002, 2001 and 2000 are as follows:

	As at 31st March,		
	2002	2001	2000
	$'000	$'000	$'000
Total assets	**18,667**	32,113	9,112
Total liabilities	**(3,841)**	(5,086)	(9,111)
Net assets	**14,826**	27,027	1

Notes :

1. The results, assets and liabilities of the Group presented above have been prepared on the basis as if the group structure, at the time when the corporate reorganisation was completed prior to the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, had been in existence throughout the years concerned.

2. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 17th August, 2000, the results of the Group for years ended 31st March, 1999 and 2000 and the assets and liabilities of the Group as at 31st March, 2000 were extracted from the Company's prospectus dated 11th August, 2000.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CyberM International (Holdings) Limited (the "Company") will be held at Imperial III, Mezzanine Floor, Towers Wing, The Royal Pacific, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 4th September, 2002 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31st March, 2002.

2. To re-elect retiring Directors.

3. To authorise the Board of Directors to fix Directors' remuneration.

4. To pass the following resolution as Ordinary Resolution:

   "**THAT** PricewaterhouseCoopers be appointed as auditors of the Company in place of Arthur Andersen & Co, the retiring auditors to hold office until the conclusion of the next general meeting and that the Board be authorized to fix their remuneration."

5. By way of special business, to consider and if thought fit, pass with or without modifications, the following resolution as Ordinary Resolutions:

   A. "**THAT**:

      (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

      (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and / or employees of the Company and / or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) or any other applicable law to be held; or

(iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the Directors of the Company under this Resolution;

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. "**THAT**:

(a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution 5A of this notice."

C. "**THAT**:

Conditional upon Resolution 5A and 5B above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in Resolution 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 5A., provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By the order of the Board
Lau Chiu Pui
Chairman

25th June, 2002, Hong Kong

Registered Office:
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Head Office and Principal Place of Business:
Units 01-03, 31/F Laws Commercial Plaza
788 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

3. A form of proxy for the meeting will be enclosed with the annual report.

4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. In relation to proposed Resolution 5 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Directors wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares of the Company pursuant to the said general mandate other than shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company or any scrip dividend scheme. The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to members together with the annual report.